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CORRESPONDENCE MEMORANDUM

DATE: November 8, 2010

TO: Group Insurance Board

FROM: Jeff Bogardus
Manager, Pharmacy Benefit Programs
Division of Insurance Services

SUBJECT: Medicare Part D Prescription Drug Coverage for Medicare Eligible
Retirees in the State and Local Government Group Health Insurance
Programs

This memo discusses Medicare Part D alternatives to the pharmacy benefit portion of the State and local government health insurance programs effective January 1, 2011.

Staff requests that the Group Insurance Board (Board) approve a reduced premium rate for Medicare Part D Prescription Drug Plan (PDP) coverage for the local government health insurance program as proposed by Dean Health Insurance (DHI).

However, staff does not recommend that the Board adopt the Medicare Part D PDP coverage for the State group health insurance program, as proposed by DHI.

DHI proposed to provide pharmacy benefit coverage through the DeanCare Rx PDP, along with a supplemental Wrap benefit, for both the State and local government programs. Also proposed is a reduction of the 2011 DeanCare Rx premium for the local government health insurance program.

Background

In August, the Board approved the health plans and premium rates for 2011, and the Department has completed its annual "It's Your Choice" enrollment for 2011. This includes the two contracts for the pharmacy benefit portions of our program: a plan for local government annuitants on Medicare, fully insured by DHI; and the self-insured benefit administered by Navitus Health Solutions for all other participants.

Reviewed and approved by Lisa Ellinger, Division of Insurance Services.

Lisa Ellinger
Signature

11/8/10
Date

Board	Mtg Date	Item #
GIB	11.9.10	3E

Due to provisions contained in the 2010 federal Patient Protection and Affordable Care Act (PPACA), DHI very recently brought an alternative to staff for the Medicare primary portions of both group segments. This was prompted, in part, by the impact of the PPACA provisions that apply to the eventual closing of the Medicare Part D coverage gap (also referred to as the "donut hole"), in addition to the savings that could be realized by the State and local programs by taking advantage of the brand name drug discounts that would be available when a Medicare-eligible member is in the coverage gap.

DHI's proposal has been submitted quite late for 2011 implementation due to the limited guidance from the Federal government that was available earlier in the year pertaining to the coverage gap discounts and the recent clarifications that were provided. DHI just received confirmation from the Center for Medicare and Medicaid Services (CMS) in September that their existing plan design and systems used to administer the pharmacy benefits could not be used to take advantage of the PPACA provisions.

Staff has been researching various Medicare Part D options for the State Medicare-eligible retiree population for 2012, particularly in light of the opportunities stemming from the PPACA legislation. While this proposal moves that timetable up for implementation in 2011, it should be noted that it is planned to be only a one-year solution. As such, staff will continue to explore other Medicare Part D options.

The Board has previously approved the concept of exploring different options for Medicare Part D coverage in the State and local programs in its approval of the recent Pharmacy Benefit Management request for proposal (RFP# ETJ0007). As such, staff feels the Board is acting within its authority in reviewing this proposal and if implemented, will be within the scope of the current contract.

Approximately 1,800 local government retirees receive their uniform benefits pharmacy plan through the DeanCare Rx PDP. Their coverage also includes a Wrap benefit that covers benefits not payable by Medicare Part D, such as prescription drug costs incurred during the coverage gap. The Wrap benefit maintains an equitable benefit balance with the State group health insurance program.

Currently, more than 23,000 State retirees receive their Medicare coordinated pharmacy benefit coverage from Navitus. Their applicable claims costs are now being used to request Federal subsidy for the State program under the provisions of the Retiree Drug Subsidy (RDS) program, which provides in excess of \$11 million in federal subsidy annually. If State retirees are enrolled in the DeanCare Rx PDP their claims would no longer be eligible for subsidy payments from the RDS program.

Discussion

Impact on the Wisconsin Public Employers (WPE) Group Health Insurance Program

The proposal provided by DHI calls for a reduction in the PDP/Wrap premium of \$66.15 per member per month (PMPM). This equates to an approximate savings of \$1.4 million. All savings will be realized directly by the members in the form of a premium reduction, and not absorbed by the Department or the program itself.

Because this population is relatively small, communication should be manageable and any disruption to members appears to be limited. New for 2011, local government retirees may be required to use two ID cards based on requirements clarified by CMS – one card for the Medicare Part D PDP and one for the Wrap coverage. However, staff believes communicating with, and educating this smaller population would not create an unmanageable administrative burden.

DHI's proposal included the provision that our members not be allowed to enroll in another PDP. If this requirement were implemented it could place some of our members who are enrolled in Medicaid, special needs, or other subsidized programs, into hardship situations by forcing them to choose between the other programs and the local government health insurance program. There are 14 local annuitants who are enrolled in a PDP other than DeanCare Rx as of November 1, 2010. Considering such a small group, DHI has indicated that they will be able to grandfather these members, allowing them to maintain the non-DHI PDP they are currently enrolled in. Newly eligible members would be required to enroll in the DeanCare Rx PDP.

Impact on the State Group Health Insurance Program

For the more than 23,000 State retirees currently covered by Navitus, a move to the DeanCare Rx PDP could provide potential savings that ranges between \$3.7 million (approximately \$13.29 PMPM) and \$5.3 million (approximately 18.96 PMPM). These figures do take into account the subsidy received from the RDS program.

However, based on discussions with DHI, it would be very problematic to implement this proposal for a number of reasons including the compressed timeframe to execute this proposal for the State program, difficulty in clearly and accurately communicating this to members in a timely manner, and the ability to ensure a smooth transition for our members.

Conclusion

Staff feels that the savings that can be realized for the local government program, along with the minimal member disruption and lesser degree of communication required for the WPE members, warrants the Board considering the adjusted rates.

However, the amount of savings for the State program is minimal considering the administrative and communication burdens this would create. Likewise, for a group the size of the Medicare eligible State retirees, this type of change requires more prior planning, with attention paid to the special groups that could be negatively affected.

If the Board agrees with the recommendation to not pursue the PDP option for the State program, staff is fully prepared to continue requesting subsidy through the RDS program for 2011.

Staff will be available at the Board meeting to answer any questions.